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CITY OF RYE FINANCE COMMITTEE MEMORANDUM

Jonathan W. Peters
Chair

Steve Meyers
Vice-Chair

Duncan Hennes & George Pratt
City Council Liaisons

Michael A. Genito
City Staff Liaison

Date: July 7, 2006
To: O. Paul Shew, City Manager
From: Jono Peters, Chair and Steve Meyers, Vice Chair
Re: Pavement Repair and Management

In 2005, the City commissioned a pavement management study to evaluate road conditions in Rye and analyze various repair and maintenance funding options. The study can be accessed at <http://www.rye.ny.gov/Fincomm/pms/200506pms.pdf>.

The study found the following:

- The average road in Rye had a Pavement Condition Index (PCI) of 73—at the higher end of the “deficient condition” band in the study’s five-band matrix (excellent, good condition, fair condition, deficient condition, poor condition).
- The costs to bring all roads up to “excellent” condition would be \$9,019,101. (This is the “work backlog” cost.)
- Neither the City’s historical spending of approximately \$300,000 annually nor the 2006 spending level of \$400,000 allows the City to keep pace with the deterioration of its roads or reduce the work backlog costs.
- Spending \$500,000 annually between 2005 and 2014 will just hold the average PCI to 75 (near its current level of 73) while the work backlog costs will increase slightly to \$9,779,446 (in 2005 dollars).
- Spending \$800,000 annually until 2014 will raise the average PCI to 85 (at the top of the “fair condition” band) and reduce the backlog liability to \$5,205,277 (in 2005 dollars).

It is unlikely that there is a real cost-benefit to bringing all roads up to excellent condition. However, the Council may wish to consider a spending strategy other than the current one which fails to maintain the average road condition and is causing a significant increase in the backlog liability (estimated to be \$12,249,455 by 2014 if the historical spending of \$300,000 is maintained).

A “status quo” strategy would entail spending approximately \$500,000 annually. A “moderate improvement” strategy would require \$800,000 annually. The Council may wish to consider an even more aggressive strategy such as one aimed at reducing the backlog liability to a specific amount (\$3,000,000 by 2014 for example) or one aimed at bringing all roads in Rye up to a specific condition by 2014. Clearly there are cost efficiencies to be gained by spending at a higher rate to more quickly reduce the backlog liability. While it is not a straight line relationship, spending an added \$2,000,000 (\$200,000 per year in 2005 dollars) from 2005 to 2014 reduces the backlog in 2014 by \$2,470,000, an apparent 23% return on capital investment. Adding \$5,000,000 over ten years reduces the backlog by \$7,045,000 in 2014, a 40% return.

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It is important to note that the figures in the study and referenced in this memorandum are based on 2005 dollars, and will require adjustment over time to compensate for inflation. It is also important to note that oil is a major component in street resurfacing materials and subject to the significant increases in that commodity.

Funding of course will be an issue. Road improvements are currently funded through the City's Capital Project Fund, which in turn is funded by general revenues (property taxes and street opening permits), State aid, and debt. Other possible new sources of revenue might be considered; e.g. a real estate transfer tax. Seemingly low possibility but high payout revenue concepts should not be rejected out of hand; e.g. aggressive negotiations to increase the State's contribution to Rye's road maintenance program. The Council may wish to review the 55-year-old decision to maintain City ownership of the Boston Post Road. (We are the only community in Westchester where this is the case.) As a consequence of this decision, maintenance of this State road is borne solely by Rye residents. Perhaps a more equitable arrangement could be negotiated with the State. Bonding is one option for the more expensive strategies.

Whatever the Council decides it will be helpful for the professional staff to receive direction by the end of July as to what level of spending and PCI the City should target. This will enable them to incorporate the direction in the forthcoming Capital Improvement Plan (CIP). Members of the Finance Committee and professional staff would be happy to attend the next Council meeting to answer any questions.

- The City of Rye Finance Committee